TBC CAPITAL

RESIDENTIAL REAL ESTATE IN TBILISI

DECEMBER 2022
Monthly Watch

Irina Kvakhadze
Vice President, Research

Revaz Maisuradze
Analyst, Research

Giorgi Mzhavanadze
Senior Associate, Research

RESIDENTIAL REAL ESTATE IN TBILISI

December 2022 vs December 2021

-11%

3,983

Number of transactions

+28%

1,072$

Average asking sale price per SQM

+103%

11.2$

Average asking rent price per SQM

Top 3 districts with the highest increase in the **NUMBER OF TRANSACTIONS:**

Top 3 districts with the highest increase in the asking **SALE PRICE:**

Transactions, price and yield

Even though the **number of transactions** remained on a high level in December 2022, exceeding the previous month figure by about 3%, December 2021 was still out of reach (-11% YoY). This abnormally high number of transactions in December 2021 was the effect of NBG's decision to set the maximum mortgage loan limit in foreign currencies to 10 years instead of 15, starting January 2022. This set off a wave of consumers that were planning on purchasing properties. They decided to act immediately rather than wait for the regulation to kick in. Thus, the negative YoY growth was driven by high base effect.

In December 2022, **asking sale price** posted a sizeable growth relative to the same period of 2021 (+28%), while compared to November 2022 the figure was 6% higher.

In the same period, growth of **asking rent price** slowed down compared to the previous month (-3%), however it still remained at a high level, doubling relative to December 2021 (+103%). Consequently, **rental yield** surpassed the 2021 level by about 5 pp, standing at 12.5% and there was a slight decline compared to the previous month (-1 pp).

On average, asking sale and rent prices increased by 17% and 77% YoY in 2022. These figures are higher than our projection from the beginning of 2022 and, generally, in line with our recent forecast.

Figure 1. Number of sold properties by years (000' Units)

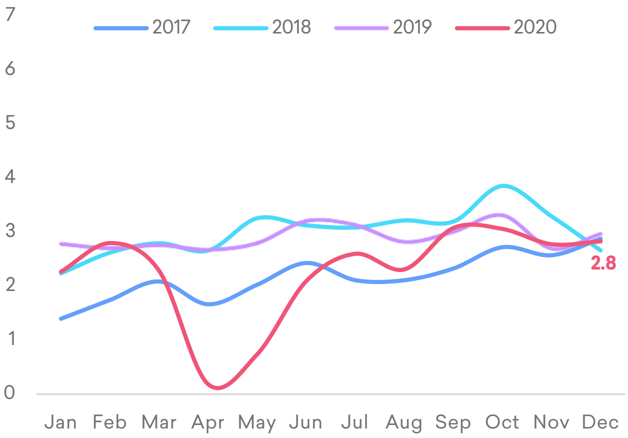


Figure 2. Average asking sale price per SQM (USD)

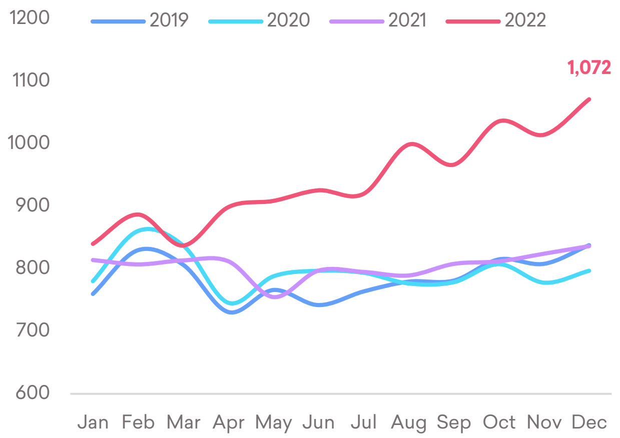


Figure 3. Average asking rent price per SQM (USD)

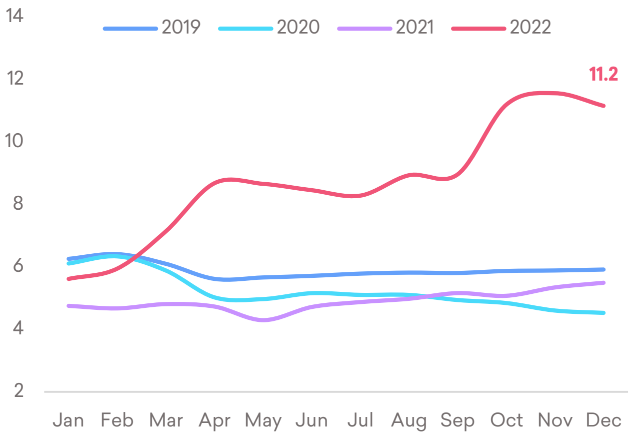
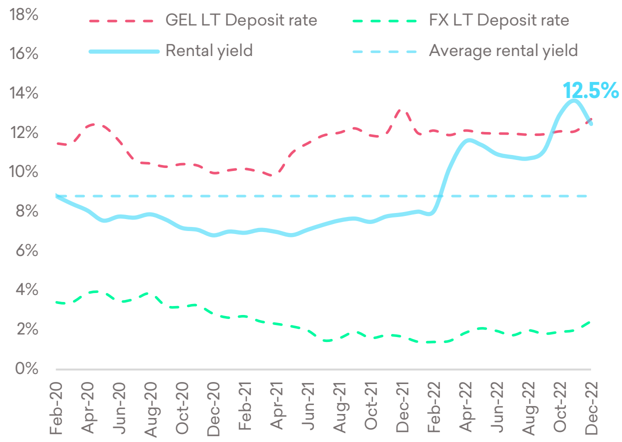


Figure 4. Rental yield and deposit rate dynamics



Source: NAPR, NBG, Myhome, TBC Capital; Note I: Rental yield is derived using the asking sale and rent prices according to Myhome.

Residential properties by condition

In December 2022, 837 **new** apartments were sold, a 39.5% decrease compared to the same period of 2021, while **old** apartments showed positive growth, surpassing the 2021 figure by 1.5%. This suggests that in December 2021, the consumers were mainly concentrated on buying newer flats. Interestingly, in MoM terms, there was a notable increase observed for both new (+7.7%) and old (+2.3%) apartments, indicating strong demand on the market, especially for new properties. Therefore, the share of new units in all sales improved slightly relative to previous month (+1 pp).

Average asking sale prices increased for properties of all conditions, both in monthly and annual terms. It should be noted that white frame posted the highest MoM increase, surpassing the previous month figure by 15%, while in YoY terms newly renovated flats posted the highest growth (+30%).

The list remained the same, the average asking sale prices were the highest for newly renovated apartments (1,283 USD per SQM), followed by green frame (1,161 USD per SQM).

Figure 5. Number of sold residential properties, New vs Old (000' Units)

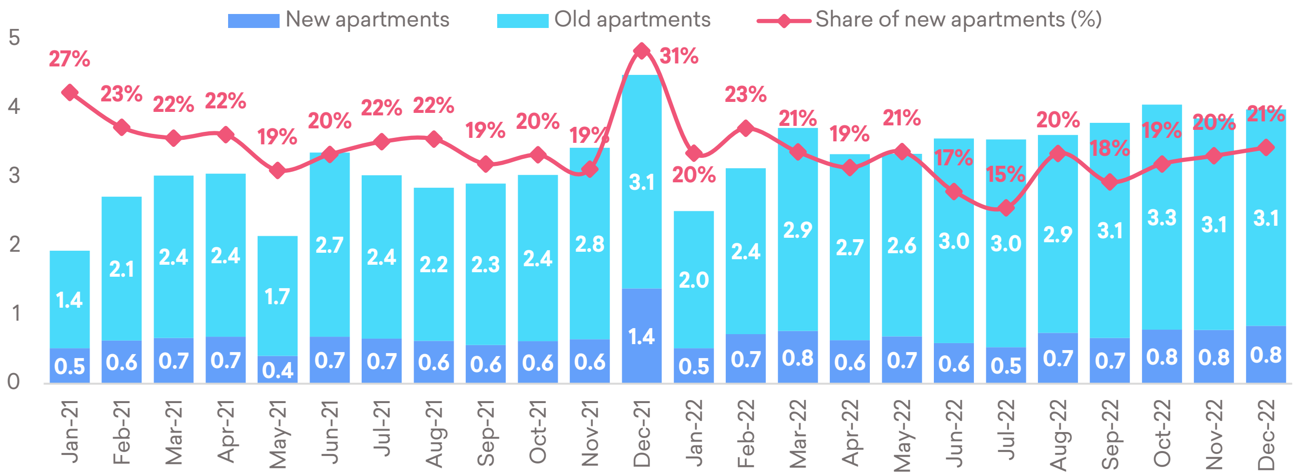
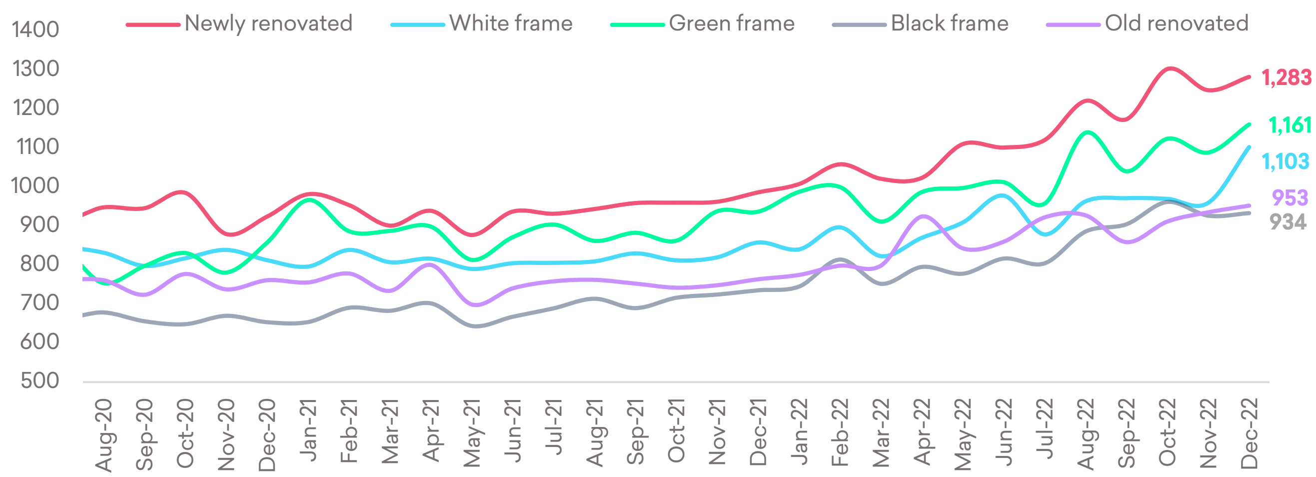


Figure 6. Average asking sale price per SQM (USD), by condition



Source: Myhome, NAPR, TBC Capital; Note: "New" means a residential property with sale date within 3 years after construction permit issuance

Tbilisi districts

In December 2022, the **number of transactions** stood above the previous year figure in only half the districts presented. As we already mentioned, the decline in some districts was due to unusually high number of transactions in December 2021. It seems that in the last month of 2021, the demand was highly concentrated in Saburtalo and Samgori - districts with the highest decline. The top 3 districts with the largest YoY growth of transactions were Krtsanisi (+47%), Gldani (+37%) and Chughureti (+28%).

Despite the annual decline, Saburtalo (18%) still stood at the top in terms of the share in total residential property transactions, followed by Didi Dighomi (16%) and Gldani (16%).

Sale prices showed strong growth relative to the same period of 2021 in all districts. The highest YoY increase in sale prices was observed in Gldani (+36%), Chughureti (+35%) and Mtatsminda (+34%).

Rent prices more than doubled compared to December 2021 in almost all districts. The growth was higher in peripheries compared to central districts.

In December 2022, **rental yield** exceeded the long term deposit rate in GEL in the majority of districts. The top 3 were: Didi Dighomi (16.2%), Samgori (15.5%) and Didube (14.9%).

Figure 7. Sold residential properties (Units) and YoY change (%), December 2022

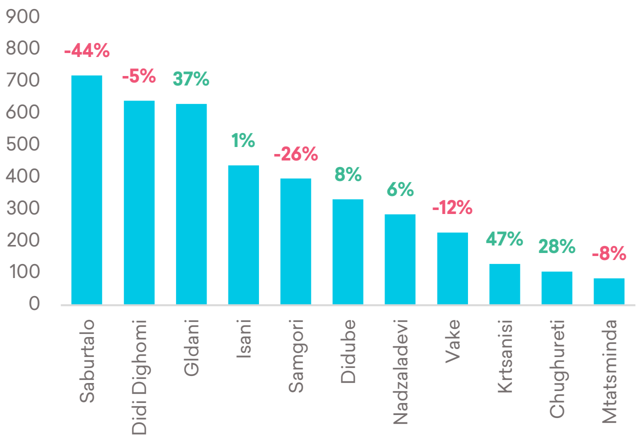


Figure 8. Average asking sale price per SQM (USD) and YoY change (%), December 2022

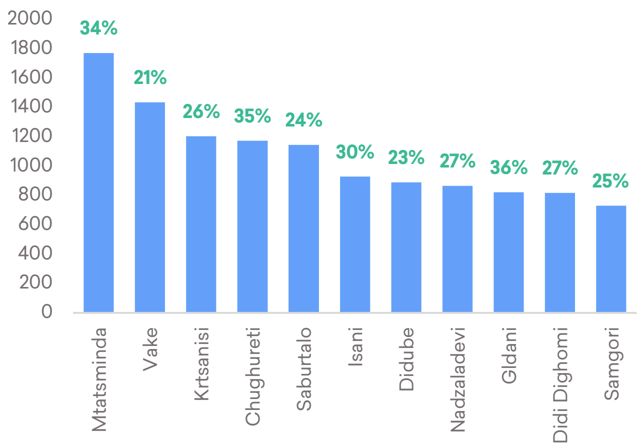


Figure 9. Average asking rent price per SQM (USD) and YoY change (%), December 2022

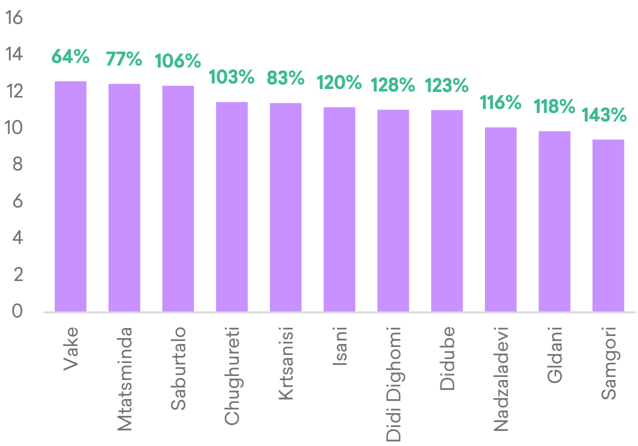
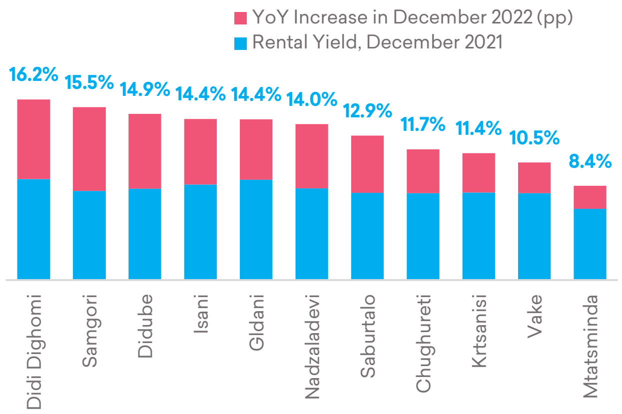


Figure 10. Rental yield by district (%), December 2022

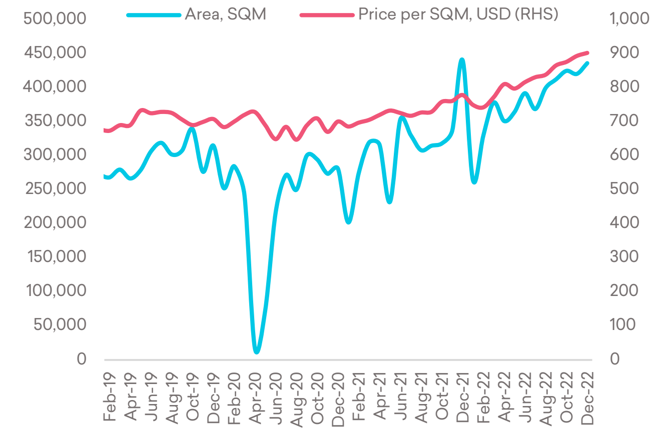


Source: Myhome, NAPR, TBC Capital

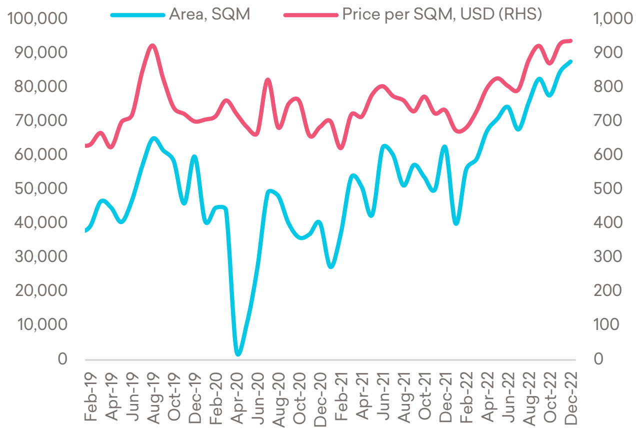
Annex: Rest of Georgia

A1. Area (SQM) and price per SQM (USD) of sold residential properties

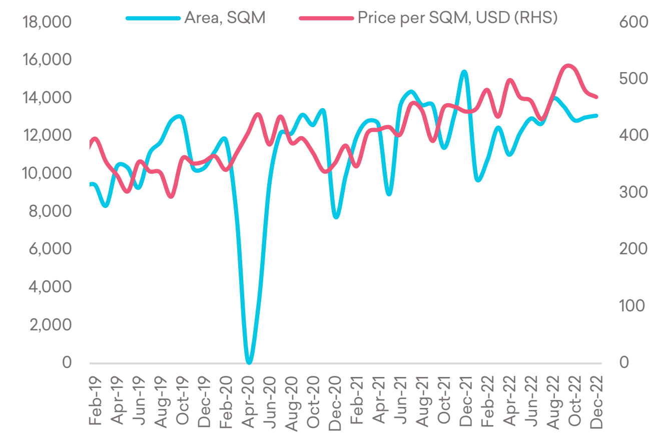
Georgia



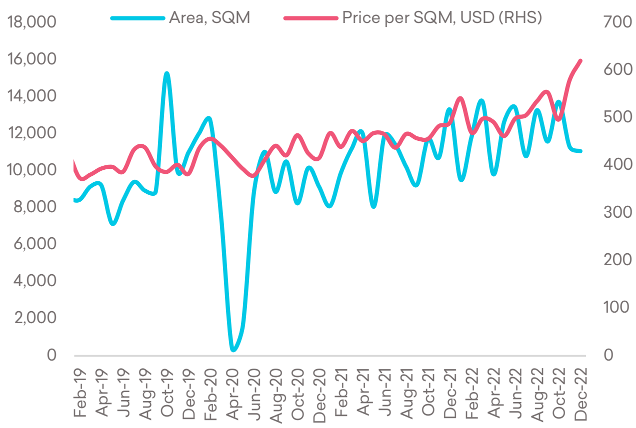
Batumi



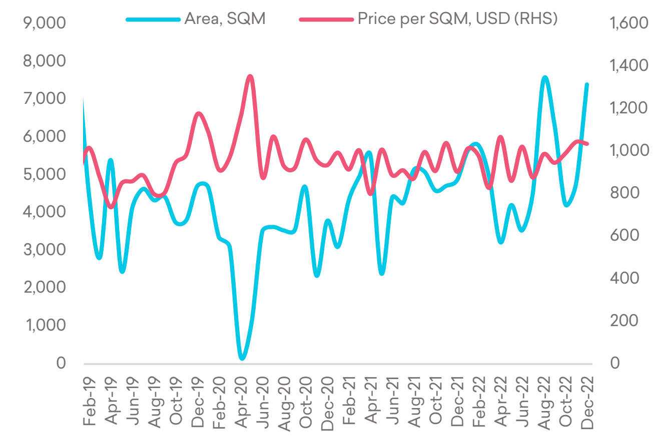
Kutaisi



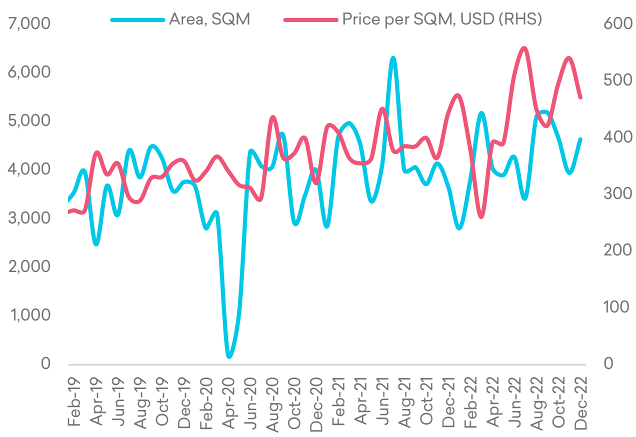
Rustavi



Borjomi



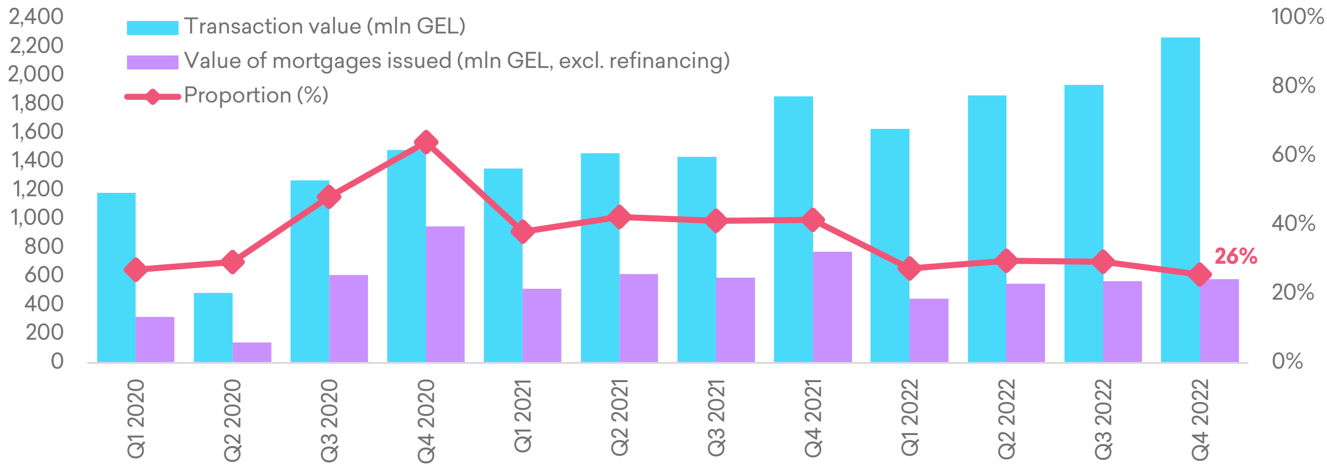
Gori



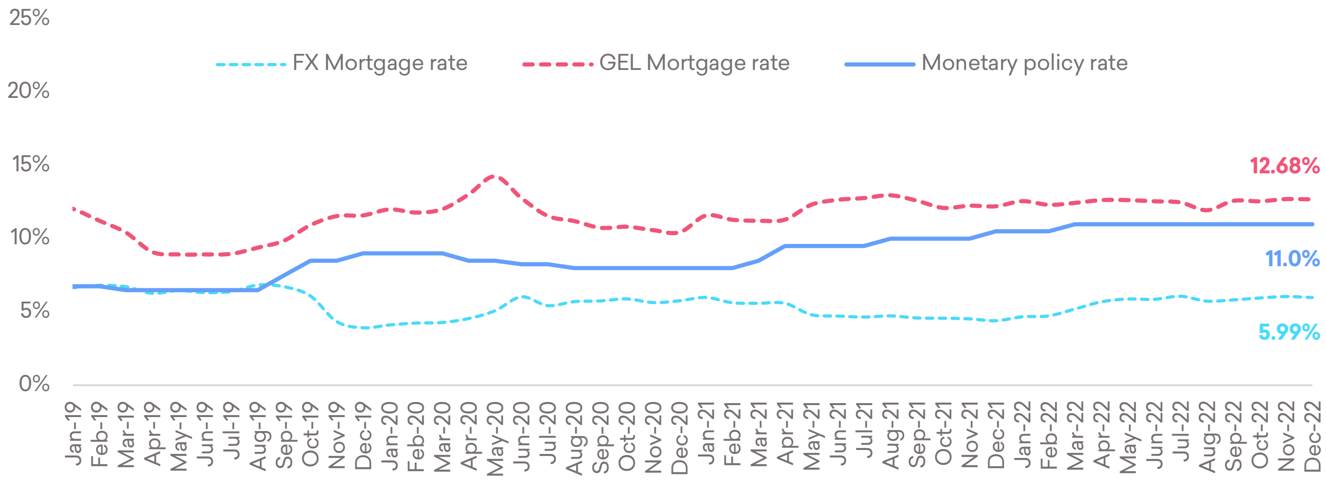
Source: NAPR, TBC Capital

Annex: Mortgages

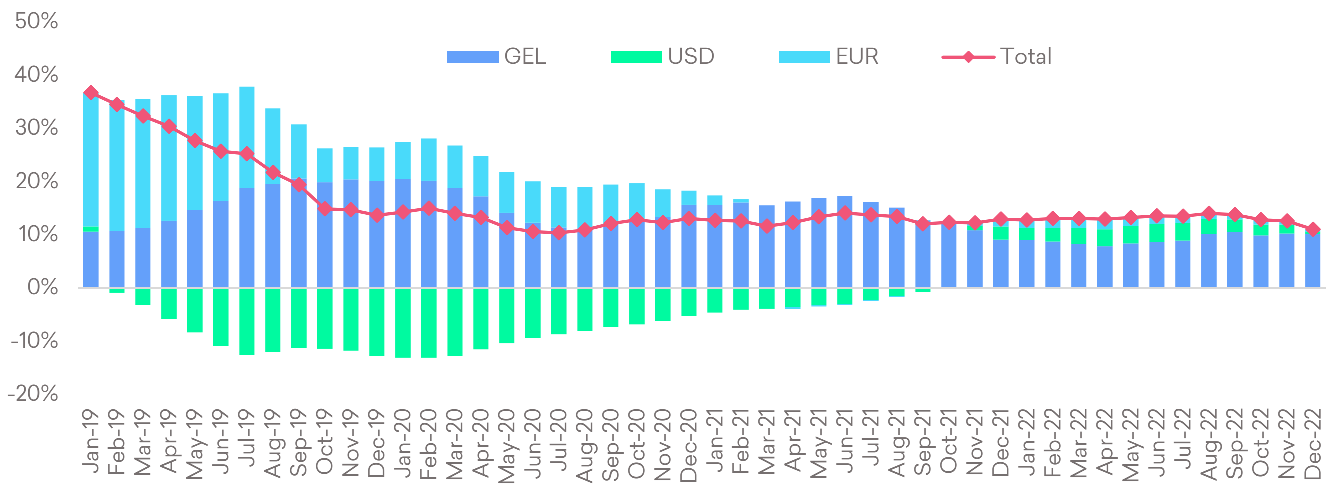
A2. Value of issued mortgages to transaction value, Tbilisi



A3. Mortgage rate dynamics in Georgia



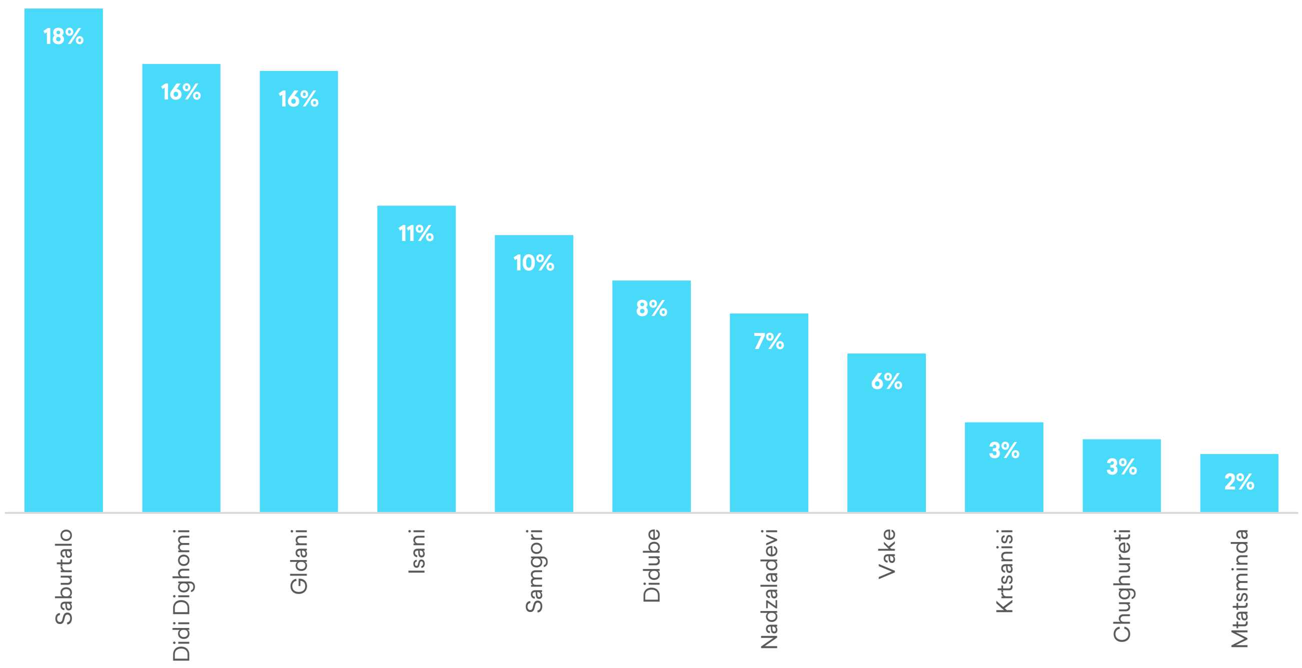
A4. YoY growth of mortgage portfolio and contribution to growth by currencies



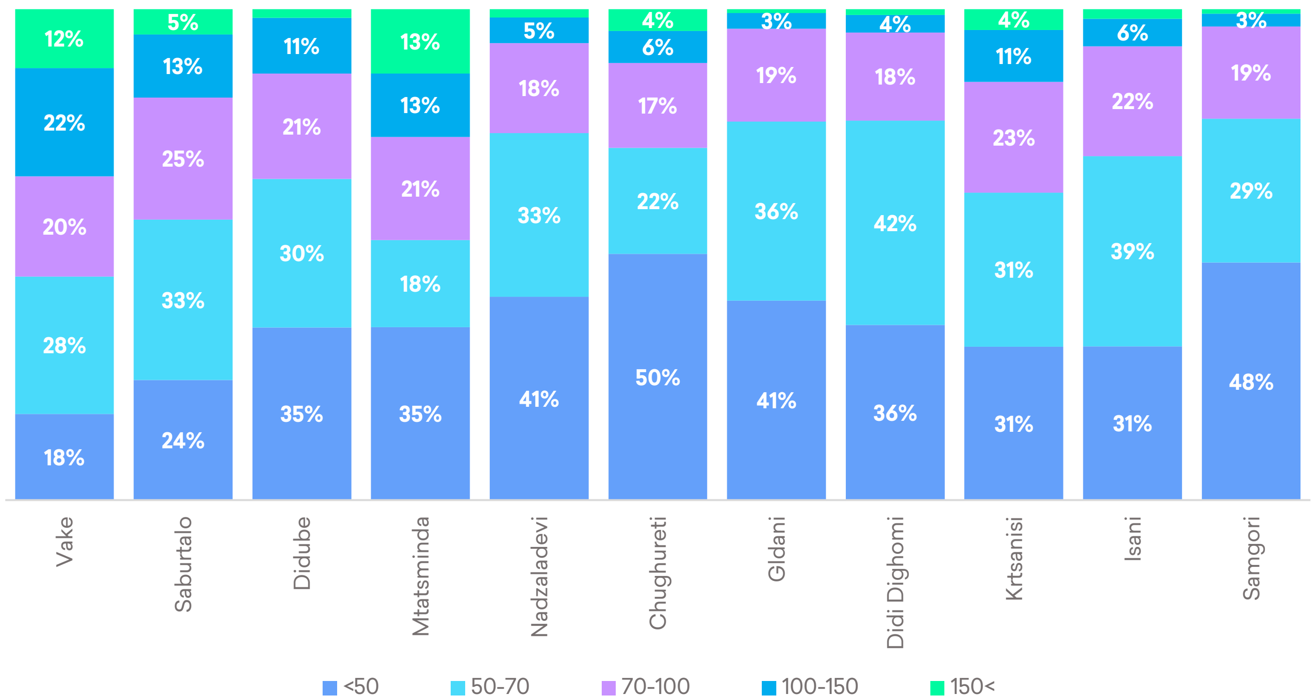
Source: NAPR, NBG, TBC Capital

Annex: Districts

A5. Total transaction distribution by districts – December 2022



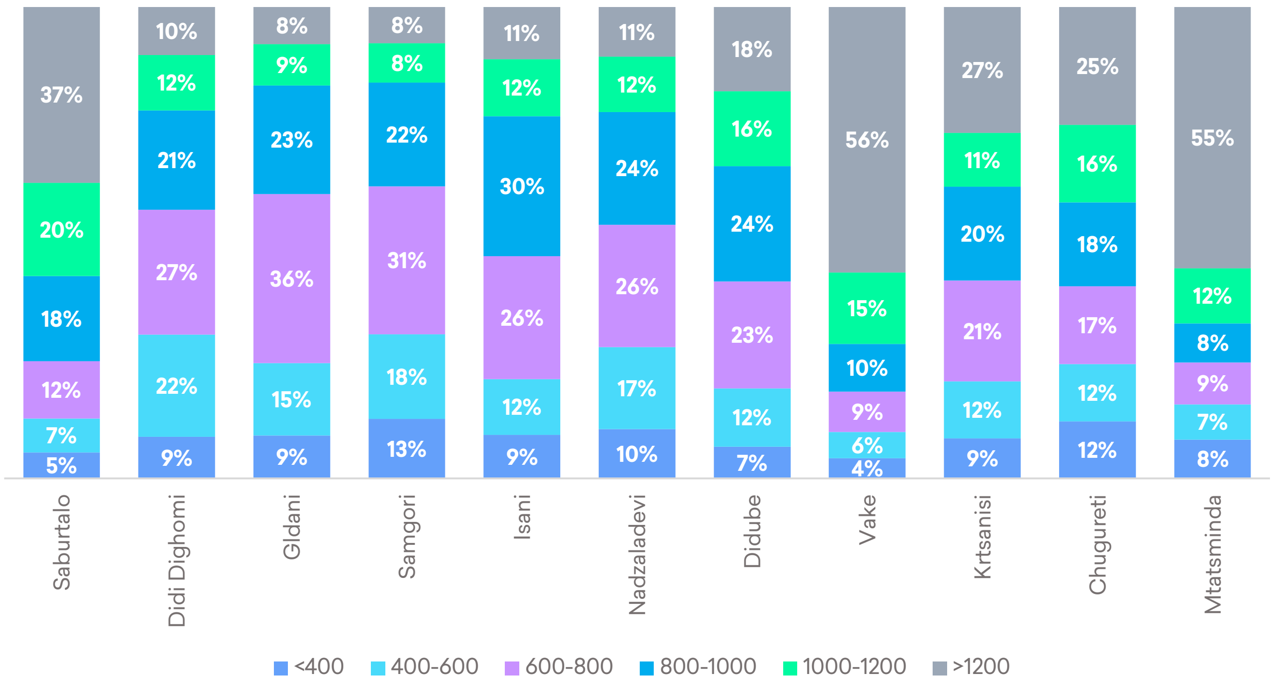
A6. Shares by sizes (Area, SQM), districts, 2022



Source: NAPR, TBC Capital

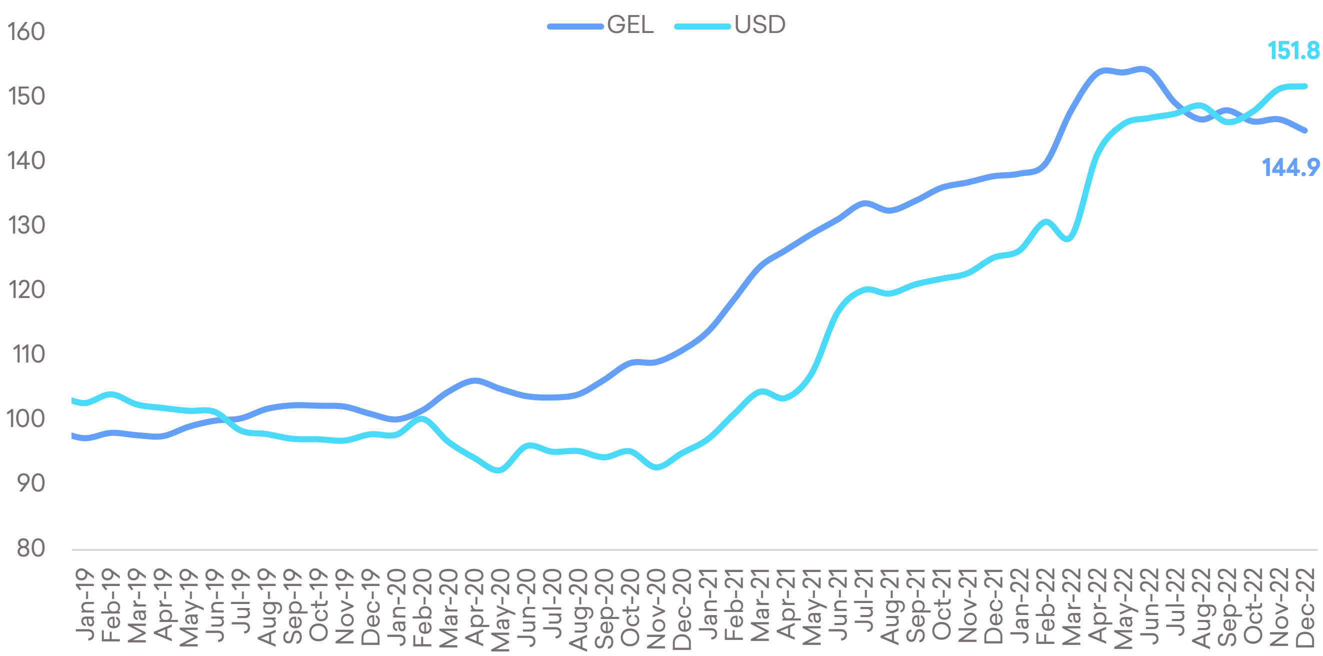
Annex: Districts

A7. Number of transactions by price categories, districts, 2022 YTD



Annex: Construction materials

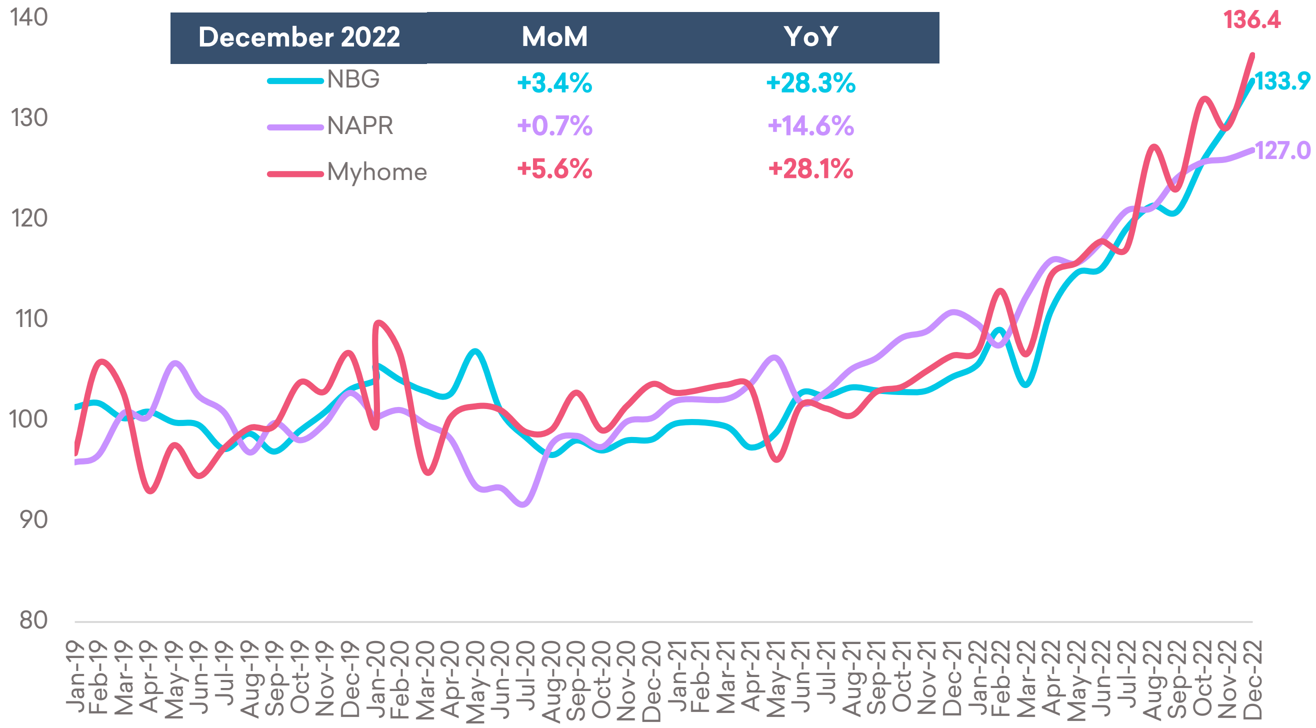
A8. Prices of material inputs to construction industries, Indices (2019 average = 100)



Source: NAPR, Myhome, Geostat, TBC Capital

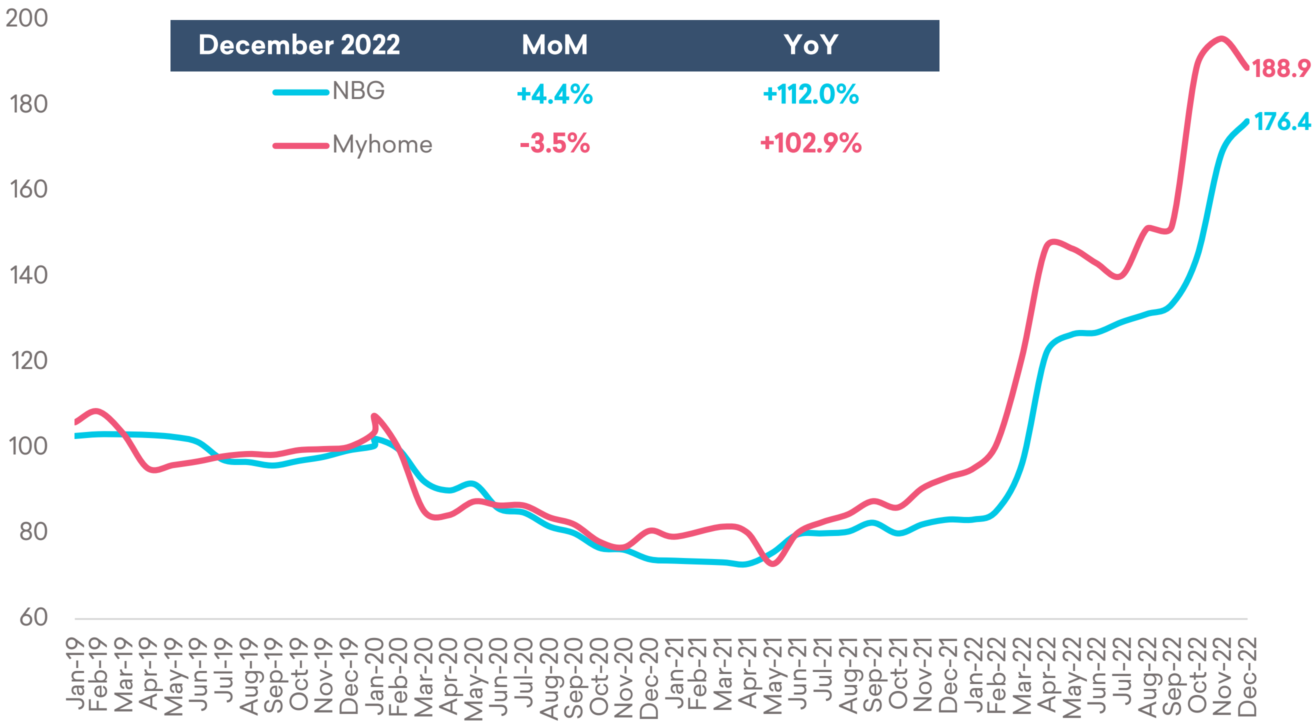
Annex: Price indices

A9. Sale price indices (2019 average = 100)



December 2022	MoM	YoY
NBG	+3.4%	+28.3%
NAPR	+0.7%	+14.6%
Myhome	+5.6%	+28.1%

A10. Rent price indices (2019 average = 100)



December 2022	MoM	YoY
NBG	+4.4%	+112.0%
Myhome	-3.5%	+102.9%

Source: NBG, NAPR, Myhome, TBC Capital

Legal Notice

This publication (the "Publication") has been prepared and distributed by TBC Capital LLC ("TBC Capital") member of TBC Bank Group PLC ("Group") for informational purposes only and independently of the respective companies mentioned herein.

TBC Capital is operating and performing its professional services on the territory of Georgia and is duly authorized to prepare and distribute this Publication on the territory of Georgia.

Nothing in this Publication shall constitute an offer or invitation to treat to solicit buying or selling or subscribing any assets and/ or securities and nothing herein shall form the basis of any contract or commitment whatsoever or shall be considered as a recommendation to take any such actions.

Since distribution of this Publication may be restricted by law in certain jurisdictions, persons into whose possession this Publication comes are required by TBC Capital to inform themselves about and to observe any and all restrictions applicable to them.

As this Publication is not directed to or intended for distribution, directly or indirectly, to or use by any person or entity in any jurisdiction where such distribution, publication, availability or use would be contrary to the applicable law or which would require any registration or licensing within such jurisdiction, neither TBC Capital nor any member of the Group nor any of their respective director(s), partner(s), employee(s), affiliates, adviser(s) or agent(s) ("Representatives") accept any direct or indirect liability to any person in relation to the publication, distribution or possession of this Publication in or from any jurisdiction.

This Publication is not intended to provide any investment, business, tax and/or legal advice, and credit or any other evaluation. Recipients of this Publication are strongly required to make their own independent investigation and detailed appraisal of the matters discussed herein. Any investment decision should be made at the investor's sole discretion and consideration. Any and all information contained in this Publication is subject to change without notice, and neither TBC Capital nor any member of the Group nor any of their Representatives are under any obligation to update or keep information contained in this Publication.

Distribution of this Publication, at any time, does not imply that information herein is correct, accurate and/or complete as of any time after its preparation date or that there has been no change in business, financial condition, prospects, credit worthiness, status or affairs of the respective companies or anyone else since that date. Accordingly, this Publication should not be considered as a complete description of the markets, industries and/or companies referred to herein and no reliance should be placed on it. TBC Capital does not undertake to update this Publication or to correct any inaccuracies therein which may become apparent.

The Publication may include forward-looking statements, but not limited to, statements as to future operating results. Any "forward-looking statements", which include all statements other than statements of historical facts, involve known and unknown risks, uncertainties and other important factors beyond TBC Capital's control that could cause the actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding present and future business strategies and the environment operating in the future. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. No assurances can be given that the forward-looking statements in this document will be realized. TBC Capital does not intend to update such forward-looking statements.

Opinions, forecasts, estimates and/or statements relating to expectations regarding future events or the possible future performance of investments represent TBC Capital's own assessment and interpretation of information available to it currently from third party sources. Information obtained from the third party sources believed to be reliable, but that there is no guarantee of the accuracy and/or completeness of such information.

TBC Capital does and seeks to do and any member of the Group may or seek to do business with companies covered in this Publication. Thus, investors should be aware that TBC Capital may have a potential conflict of interest that could affect the objectivity of the information contained in this Publication.

This Publication may not be reproduced, redistributed or published, in whole or in part, in any form for any purpose, without the written permission of TBC Capital, and neither TBC Capital nor any member of the Group nor any of their Representatives accept any liability whatsoever for the actions of third parties in this respect.

TBC Capital makes no expressed or implied representation or warranty of usefulness in predicting the future performance or in estimating the current or future value of any security or asset, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to any data included in this Publication.

Without limiting any of the foregoing and to the extent permitted by law, TBC Capital or any member of the Group or any of their Representatives expressly disclaim all liability whatsoever (in negligence or otherwise) for any loss or damages however arising, directly or indirectly, from any use of this Publication or its contents (including without limitation to the accuracy and/or completeness of information therein) or otherwise arising in connection with this Publication or for any act or failure to act by any party on the basis of this Publication.

7 Marjanishvili Str., Tbilisi 0102, Georgia
Tel: +995 32 2 272727 | +995 32 2 272733

Email: Research@tbccapital.ge
Email: Macro@tbcbank.com.ge

www.tbccapital.ge
www.investing.tbccapital.ge

TBC CAPITAL

www.tbccapital.ge